



# State of Arizona Accounting Manual

Topic 70 Grants  
Section 42 Earned Federal Funds and  
Indirect Cost Reimbursements

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## INTRODUCTION

This section of SAAM deals with Federal directives and State requirements with respect to the rates that must be used when seeking reimbursement of indirect costs under a Federal grant. It largely relies upon the regulations contained in 2 CFR 200, commonly referred to as the *Uniform Guidance*, portions of which are substantively paraphrased herein.

Indirect costs are those that benefit more than one cost objective and cannot be readily identified with a given cost objective without efforts disproportionate to the results achieved. After direct costs have been determined and assigned to Federal awards, indirect costs are those remaining to be allocated to benefitted cost objectives.

This SAAM section should be read in concert with SAAM 7040, *Indirect Cost Rates*.

## POLICIES

1. If a unit of government receives more than thirty-five million dollars (\$35,000,000) per year in direct Federal funding, it must submit its indirect cost rate proposal to its cognizant agency. Once the cognizant agency has approved an indirect cost rate, this rate must be used by the unit when claiming reimbursement for indirect costs.
2. With respect to pass-through entities and their subrecipients, when claiming reimbursement for indirect costs, one of the following is to be used:
  - 2.1. A federally approved indirect cost rate that has been negotiated by the subrecipient, or
  - 2.2. The de minimis indirect cost rate of ten percent (10%), per 2 CFR 200.414(f).
3. The de minimis rate can be used only if the subrecipient has never received a negotiated indirect cost rate.
4. Use of indirect cost rates not specifically discussed above require an exception to policy as described in SAAM 0015.
5. To the extent practicable, costs incurred with respect to a Federal program, whatever their nature, should be charged as direct, rather than indirect, costs.

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6. A cost may not be allocated to a Federal award as an indirect cost if such cost has otherwise been assigned to a Federal award as a direct cost.